Department of Navy
Human Resources Service Center

Information on Retirement

Planning For Optional Retirement

This Update discusses retirement planning for employees who are approaching eligibility for optional retirement. This is just an overview, not a comprehensive document that covers every retirement situation. Your Human Resources Service Center (HRSC) retirement counselor can answer questions specific to your retirement. The HRSC Training Department also offers in-depth pre-retirement seminars at nominal cost.

SELECTING A RETIREMENT DATE

When you select a retirement date you must consider when you will be eligible to retire and the date that the annuity will commence.

1. Retirement Eligibility. The minimum age and creditable service requirements for Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) retirement eligibility are:

CSRS			
OPTIONAL		EARLY*	
Age	Service	Age	Service
62	5 years	50	20 years
60	20 years	Any	25 years
55	30 years		

FERS			
OPTIONAL		EARLY*	
Age	Service	Age	Service
62	5 years	50	20 years
60	20 years	Any	25 years
MRA**	30 years		
MRA**	10 years		

* Early retirement is available to CSRS/FERS employees <u>only</u> under special authority from the Office of Personnel Management (OPM) to the activity. This normally occurs during periods of downsizing.

**To determine the FERS Minimum Retirement Age (MRA), refer to the table below:

If year of Birth is	The Minimum Retirement Age is	If Year of Birth is	The Minimum Retirement Age is
Before 1948	55 years	1965	56 years and 2 months
1948	55 years and 2 month	1966	56 years and 4 months
1949	55 years and 4 months	1967	56 years and 6 months
1950	55 years and 6 months	1968	56 years and 8 months
1951	55 years and 8 months	1969	56 years and 10 months
1952	55 years and 10 months	1970 and after	57
1953-1964	56 years		

2. Commencing Date of Annuity.

a. <u>CSRS.</u> CSRS voluntary retirement annuities begin the first day of the month after separation for retirement. If a CSRS employee is in a pay status for 3 days or less during the month of retirement, the annuity begins the next day after separation. Example: Date of separation: 3 March; annuity begins 4 March. For maximum financial benefit, CSRS employees should retire either the first, second, third or last day of the month.

b. <u>FERS.</u> FERS voluntary retirement annuities begin the first day of the month after separation for retirement. There is no special provision for FERS employees who are in a pay status 3 days or less in the month of retirement. Example: Date of separation: 3 March; annuity begins 1 April. For maximum financial benefit, FERS employees should retire the last day of the month.

RETIREMENT ANNUITY

When you retire you will receive a monthly annuity check. The amount of your annuity depends upon your high-3 average salary and your length of service not on the amount of money you contributed to the retirement system.

The general formula used to calculate the annuity is different for CSRS and FERS employees.

a. CSRS. The general formula for CSRS employees is:

1.5 % of the high-3 average salary multiplied by the first 5 years of service; plus
1.75% of the high-3 average salary multiplied by service between 5 and 10 years; plus
2% of the high-3 average salary multiplied by all service over 10 years.

b. FERS. The general formula for FERS employees is 1% of the high-3 average salary multiplied by length of service. For employees retiring at age 62 or older with at least 20 years of service, the formula is 1.1% of the high-3 average salary multiplied by length of service. In some situations, when an employee retires before age 62, the basic annuity is augmented until age 62 by an additional benefit called a FERS Retiree Annuity Supplement.

As part of the retirement process your retirement counselor will provide you with an estimate of your retirement benefits. This is only an estimate. The final annuity computation is prepared by OPM after you retire.

FACTORS AFFECTING YOUR RETIREMENT ANNUITY

1. Crediting Military Service Performed After 1956 Toward Retirement. The rules for crediting active duty military service toward civilian retirement depend upon your retirement plan and when you were first employed in a civilian position subject to retirement deductions.

a. CSRS. If you were hired before 1 October 1982, had post-1956 military service, and are eligible for Social Security benefits at age 62 you have the option of making a deposit equal to 7% of your military base pay plus interest. If the deposit is not made, the military service will be included in the computation of your annuity when you retire, but the annuity will be recomputed at age 62 to exclude credit for the military service if you qualify for Social Security.

If you were hired on or after 1 October 1982, you must make a military service deposit in order to credit post-1956 military service toward CSRS retirement. Unless the deposit is paid, post-1956 military service cannot be used to determine length of service for retirement eligibility or to compute the CSRS annuity.

b. FERS. You must make a deposit equal to 3% of your military base pay plus interest to credit post-1956 military service toward FERS retirement. Unless the deposit is paid, post-1956 military service cannot be used to determine length of service for retirement eligibility or to compute the FERS annuity.

c. How To Make A Deposit For Post-1956 Military Service. You must make any deposit for post-1956 military service before you retire. You should request a statement of your earnings during military service from the military finance center and coordinate with your servicing HRSC early in your retirement planning regarding the effect of making the deposit. The form to request your military earnings is available at http://www.opm.gov/forms/pdf_fill/RI20-97.pdf.

d. Retired Military. If you are retired military and are waving your military retired pay to credit the service in your civilian annuity, you should submit the waiver 60 days prior to the date you are retiring.

2. Crediting Service Toward Retirement When Retirement Deductions Were Not Withheld. This type of service is referred to as Deposit Service. The rules for crediting deposit service depend upon your retirement plan and the date the service was performed.

a. CSRS. If you performed service before 1 October 1982 and retirement deductions were not withheld, the service will be creditable for retirement eligibility and annuity computation, but if you do not make a deposit, your annual annuity will be reduced by 10% of the deposit due. This will be a permanent reduction.

If you performed service after 1 October 1982 and retirement deductions were not withheld, the service will be used to determine retirement eligibility. If a deposit is not paid, the service will not be used for annuity computation.

b. FERS. If you performed service prior to 1 January 1989 and retirement deductions were not withheld, you must make a deposit to receive credit for this service for retirement eligibility and annuity computation.

If you performed service on or after 1 January 1989 and retirement deductions were not withheld, the service is not creditable under FERS for any retirement purposes. You cannot make a deposit for this service.

3. Crediting Service Toward Retirement When Retirement Deductions Were Withheld And Later Refunded. This type of service is referred to as Redeposit Service. The rules for crediting redeposit service depend upon your retirement plan and when the refund was received.

a. CSRS. If you separated from Federal service and received a refund of CSRS retirement contributions before 1 October 1990 the service is fully creditable for eligibility to retire and for annuity computation. However, if the redeposit is not made, the annuity will be actuarially reduced based on the employee's age at retirement.

If you separated from Federal service and received a refund of CSRS retirement contributions on or after 1 October 1990, the service is creditable for eligibility to retire, but is not creditable in the computation of the annuity unless you make the redeposit.

b. FERS. If you separated from Federal service and received a refund of FERS retirement contributions, the period of service covered by the refund is not creditable toward retirement eligibility or annuity computation. It is not possible to repay a FERS refund to reestablish credit for the service. You may make a redeposit if the refund was under CSRS rules and you were later covered under FERS.

4. Voluntary Contributions. If you have made voluntary contributions while under CSRS you may, at the time of retirement, use those contributions to purchase additional annuity or withdraw the contributions in a lump sum.

5. Survivor Annuity. When you retire you must elect whether to provide an annuity payable upon your death to your spouse, former spouse or person with insurable interest. The cost for a survivor annuity depends upon the type of survivor annuity and whether you are a CSRS or FERS employee. Your retirement counselor will provide you with an estimate of the cost and amount of your survivor annuity.

For your spouse to continue health insurance coverage upon your death, you must elect a survivor annuity. Your spouse must sign a consent form if you want to provide less than full survivor benefits.

6. Early Retirement. If you retire before the full optional retirement age and length of service, you may be subject to a reduction in your annuity.

a. CSRS. The annuity of an employee who retires before age 55 (early or discontinued service retirement) is reduced by one-sixth of 1% for each full month he/she is under age 55.

b. FERS. The annuity of an employee who retires under early deferred or MRA + 10 may be reduced five-twelfths of 1% for each full month the employee is under age 62 at the commencing date of the annuity.

7. Sick Leave. Depending upon your retirement plan unused sick leave may be included in retirement annuity computations.

a. CSRS. Unused sick leave is added to the number of years and months of service for annuity computation.

b. FERS. Unused sick leave is not added to the computation of a FERS annuity unless the employee has a CSRS component.

FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) AFTER RETIREMENT

1. Requirements For Continuing FEHB Into Retirement. To continue FEHB enrollment into retirement you must:

a. Retire on an immediate annuity. An immediate annuity under FERS includes retirement under the MRA + 10 provision, even if receipt of the annuity is postponed to a later date to eliminate or lessen the age reduction. If you postpone receipt of a FERS annuity, the health insurance will be terminated and then reinstated when the annuity begins.

b. Be enrolled in an FEHB plan at the time of retirement.

c. Have been continuously enrolled (or covered as a family member) in a plan under FEHB, or covered by CHAMPUS for the 5 years immediately proceeding retirement, or for all service. (Note: OPM will grant a waiver of the 5 year requirement to an employee retiring during the agency's statutory buyout authority period (for Navy this is 30 October 2000 through 30 September 2003) who has been covered under the FEHB Program since the beginning of the agency's buyout authority (for Navy this is 30 October 2000) and who:

- Receives a buyout under the agency's statutory buyout authority; or
- Takes an early optional retirement as a result of early-out authority in the agency; or
- Takes a discontinued service retirement based on an involuntary separation due to RIF, directed reassignment, reclassification to a lower grade, or abolishment of position.)

2. Action Required By Employee. If the above conditions are met, the FEHB will automatically continue into retirement. No action by the employee is necessary.

FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI) AFTER RETIREMENT

1. Requirements For Continuing Basic FEGLI Into Retirement. You may retain basic life insurance as a retiree if all of the following conditions are met:

a. You retire from a position in which insured;

b. You do not convert to an individual policy;

c. You retire on an immediate annuity; and

d. You have been insured under FEGLI for the 5 years of service immediately preceding the retirement or the full period of service during which basic life insurance was available, if less than 5 years. There are no waivers of any of the requirements to carry life insurance into retirement. There are no exceptions to the "no waiver" rule — it does not matter whether you retire on disability, accept a voluntary incentive payment, etc. The only way to continue coverage into retirement is to meet the 5 year/all opportunity rule. This is different from the health benefits program which does allow for waivers under certain circumstances.

2. Requirements For Continuing FEGLI Options A, B and C Into Retirement. You may retain Options A, B and C as a retiree if:

a. You are eligible to continue basic insurance coverage; and

b. The optional insurance was in force for at least 5 years immediately preceding retirement or for the full period of service during which optional life insurance was available, if less than 5 years.

3. Action Required By Employee. If you are eligible, and choose to continue your life insurance as a retiree, you must complete a SF 2818 Continuation of Life Insurance Coverage. On this form, you elect if you want to continue your Basic life insurance into retirement and elect the amount of Basic insurance you want after age 65 (or retirement, if later). The choices are 75% Reduction, 50% Reduction, or No Reduction.

The amount of Option A - Standard automatically reduces when you reach age 65 (or retire, if later). There is no election to be made.

For Options B - Additional and Option C - Family you must elect how many of your Option B and C multiples you wish to continue into retirement; and choose whether to have all of those multiples reduce ("Full Reduction") or none of them reduce ("No Reduction") when you reach age 65 (or retire, if later).

The cost for FEGLI after your retire depends upon the elections you make.

4. FEGLI Designation of Beneficiary. It is important to keep your designation of beneficiary current. To designate a beneficiary for FEGLI complete a SF 2823, FEGLI Designation of Beneficiary. The SF 2823 is available at http://www.opm.gov/forms/pdf_fill/sf2823.pdf.

THRIFT SAVINGS PLAN AFTER RETIREMENT

1. Options Regarding Your TSP Account. After you retire you are no longer eligible to make contributions to TSP. You can leave the money in your TSP account subject to mandatory withdrawal requirements. The TSP Publication "Withdrawing Your TSP Account After Leaving Federal Service" discusses all of the withdrawal options regarding your TSP account and is available at http://www.tsp.gov/forms/tspbk02.pdf.

2. TSP Loans. If you have an outstanding TSP loan, you may pay the loan in full at separation or take a taxable distribution of the unpaid amount. Taking a taxable distribution means that the portion of the loan that hasn't been repaid will be treated as taxable income and you may be liable for the 10% penalty for early withdrawal.

SOCIAL SECURITY BENEFITS

1. Estimate of Social Security Benefits. You should request a statement of earnings and estimate of benefits from Social Security. The form to request an estimate is available from Social Security at http://www.ssa.gov/online/ssa-7004.html. You can also request the statement on line at the same address. This statement does not reflect reductions for Government Pension Offset or the Windfall Elimination Provision. Your local Social Security office can give you an estimate that reflects the effect of these two provisions.

2. Government Pension Offset. The Government Pension Offset affects Social Security benefits you receive as a spouse or widow(er). The Social Security fact sheet at http://www.ssa.gov/pubs/10007.html discusses this provision.

3. Windfall Elimination Provision. The Windfall Elimination Provision affects how retirement benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure the benefit amount is modified, giving you a lower Social Security benefit. The Social Security fact sheet at http://www.ssa.gov/pubs/10045.html discusses this provision.

HOW TO APPLY FOR RETIREMENT

1. Notify Your Activity. Talk to your supervisor about your retirement date and coordinate with your activity point of contact to create a SF 52 Request for Personnel Action. Your Activity will electronically route the action to your servicing HRSC. You will also sign a paper copy of the SF 52 that your activity will send to your HRSC. You should begin the retirement process 60 - 90 days before the effective date of your retirement. This is especially important if you plan to retire 31 December through 3 January, the most popular time of the year to retire.

2. Retirement Application. Upon receipt of the SF 52, your HRSC retirement counselor will send you a retirement application to complete and return. The counselor will review the application and send it to the Defense Finance and Accounting Service (DFAS). After the effective date of your retirement, DFAS will attach your pay records to the application and send it to OPM.

3. Processing By OPM. The application should reach OPM within 30 days after the effective date of your retirement. OPM will place you in an interim pay status within 8 - 10 days after they receive the retirement package. You will receive the interim checks until final adjudication is complete.

ADDITIONAL INFORMATION

OPM has an online library of publications regarding CSRS and FERS retirement at http://www.opm.gov/retire/html/library/index.asp.

If you have any questions regarding retirement benefits, please contact your HRSC retirement counselor.